

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15

STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01

DOE-15 /124 W

-----023435 182351Z /73

R 180006Z MAY 78

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 0302

INFO USMISSION GENEVA

USCONS MEXICO POUCH

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GENEVA FOR MTN

E.O. 11652: N/A

TAGS: ETRD, MTN, MX

SUBJECT: FIRST SESSION OF MEXICO-U.S. SUB-GROUP ON TRADE
(MONDAY, MAY 11)

FOLLOWING IS FROM EMBASSY OFFICERS' NOTES; US DEL HAS
NOT CLEARED.

1. THE OPENING SESSION OF MEXICO-U.S. SUB-GROUP ON TRADE
BEGAN WITH REMARKS BY HECTOR HERNANDEZ, DEPUTY UNDER-
SECRETARY OF COMMERCE FOR INTERNATIONAL AFFAIRS. EXAMIN-
ING THE MEXICAN TRADE SITUATION, HE SPOKE OF CHANGES SINCE
LAST MEETING OF SUB-GROUP IN WASHINGTON NINE MONTHS AGO.
MEXICAN IMPORTS, WHICH FELL OFF SHARPLY IN 1977, ARE ONCE
AGAIN ON THE INCREASE, AND THE COUNTRY'S 1978 TRADE
DEFICIT SHOULD BE CLOSE TO US\$2 BILLION. QUANTITATIVE
RESTRICTIONS ON IMPORTS ARE BEING EXAMINED AND, WHERE
APPROPRIATE, LIFTED. IMPORT PERMITS ARE NO LONGER RE-
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QUIRED FOR 50 PERCENT OF TARIFF CODE ITEMS. THE CHANGE-
OVER FROM LICENSING TO A TARIFF SYSTEM WILL CONTINUE IN
1978, BUT AT SLOWER PACE THAN PREVIOUSLY TO AVOID DAMAGE
TO LOCAL INDUSTRY AND OFFSET CERTAIN ABUSES SUCH AS DUMP-
ING. HERNANDEZ SAID THAT MEXICO WOULD NOT MAKE A DECISION
AS TO WHETHER OR NOT TO JOIN GATT UNTIL THE CONCLUSION OF
THE MTN. HE SAW LITTLE PROGRESS ON NON-TARIFF BARRIER

NEGOTIATIONS IN GENEVA, AND HE WAS CONCERNED ABOUT LACK OF ANY EVIDENCE OF SPECIAL OR PREFERENTIAL TREATMENT OF LDC'S. VIS-A-VIS TRADE WITH THE U.S., HERNANDEZ REGARDED THE FOLLOWING AS AREAS OF PARTICULAR CONCERN:

A) AGRICULTURAL EXPORTS, AS ONLY SEVEN PRODUCTS OF INTEREST TO MEXICO ARE ON THE U.S. LIST;

B) EXPORTS FROM IN-BOND PLANTS (MAQUILADORES), PARTICULARLY TEXTILES;

C) SHORT-TERM NATURE OF GSP, WHICH DOES LITTLE TO ENCOURAGE LOCAL INVESTMENT FOR EXPORT.

2. AMBASSADOR WOLFF SAID THAT THE U.S. APPLAUDS MEXICO'S MOVE AWAY FROM QUANTITATIVE BARRIERS, BUT WAS CONCERNED ABOUT HIGH LEVELS OF TARIFFS. HE POINTED OUT THAT MEXICAN EXPORTS TO THE U.S. UNDER GSP ENTER DUTY FREE AND MOST OTHERS WITH LOW TARIFFS. HE ADMITTED THAT CERTAIN PROBLEMS EXIST IN REGARD TO WINTER FRUITS AND VEGETABLES, GLASS AND TEXTILES, HOWEVER. IN REGARD TO THE MTN, AMBASSADOR WOLFF AGREED NEGOTIATIONS ON NTB'S GOT OFF TO SLOW START, BUT STATED THAT CONSIDERABLE PROGRESS HAD BEEN MADE RECENTLY. HE SAID THAT HE EXPECTED A POLITICAL AGREEMENT TO BE REACHED BY MID-JULY. THE U.S. WOULD LIKE ALL COUNTRIES PARTICIPATING IN THE MTN TO JOIN ALL CODES, LIMITED OFFICIAL USE

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AND ALL SIGNATORIES TO THE CODES TO JOIN GATT.

3. HERNANDEZ SAID THAT IT WAS HIS UNDERSTANDING THAT GATT NON-MEMBERS AS WELL AS MEMBERS WOULD BE ABLE TO TAKE ADVANTAGE OF THE CODES. MEXICO IS ESPECIALLY CONCERNED WITH SAFEGUARDS CODE, SINCE SAFEGUARDS WILL BECOME INCREASINGLY IMPORTANT AS TARIFF RATES DECLINED. HE ALSO MENTIONED THAT MEXICO WAS ANXIOUS FOR AN AGREEMENT ON AGRICULTURAL PRODUCTS.

4. AMBASSADOR WOLFF THEN REITERATED HIS STATEMENT ABOUT THE DESIRABILITY OF MEXICO'S JOINING GATT. HE WARNED THE MEXICANS THAT GSP WAS ONLY A SHORT-TERM SOLUTION FOR THE LDC'S AND IS NOT POPULAR POLITICALLY IN THE U.S. IN REFERRING TO THE CODES, AMBASSADOR WOLFF SAID THAT SOME, SUCH AS THE ONE ON GOVERNMENT PROCUREMENT, LENT THEMSELVES BETTER TO SPECIAL AND PREFERENTIAL TREATMENT OF LDC'S THAN OTHERS. IN RESPONSE TO HERNANDEZ'S QUERY ON AGRICULTURAL PRODUCTS, HE SAID THAT THE U.S. HOPES TO HAVE AN OFFER IN THE NEAR FUTURE, BUT REMINDED THE MEXICAN DELEGATION THAT THIS ISSUE WAS POLITICALLY SENSITIVE.

5. AT THIS POINT, AMBASSADOR MANUEL ARMENDARIZ, ECONOMIC ADVISOR TO FOREIGN MINISTER SANTIAGO ROEL, INTERJECTED THE COMMENT THAT HE COULD SEE NO ADVANTAGE TO THE LDC'S IN SIGNING ALL THE CODES. HE ALSO SAID THAT HE DOUBTED THE WISDOM OF JOINING GATT AS IT WOULD ELIMINATE THE POSSIBILITY OF ANY ALTERNATIVE SOLUTIONS TO TRADE PROBLEMS.

6. AMBASSADOR WOLFF'S RESPONSE WAS THAT MEXICO WOULD PROFIT BY SIGNING ALL CODES, AS THEY WERE BOUND TO BE REFINED AFTER CONCLUSION OF MTN AND ONLY SIGNATORY NATIONS WOULD BE ABLE TO PARTICIPATE IN THIS PROCESS. HE ALSO SAID THAT MEXICO SHOULD JOIN GATT FOR TWO REASONS: TO

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GENEVA FOR MTN

INFLUENCE THE WORLD TRADING SYSTEM, AND TO OBTAIN MAXIMUM CONCESSIONS FROM THE MAJOR INDUSTRIAL TRADING COUNTRIES. HE POINTED OUT THAT THE U.S. FACED POLITICAL DIFFICULTIES IN CONTINUING TO GIVE CONCESSIONS TO NON-GATT MEMBERS, AND THAT AS LONG AS MEXICO STAYED OUTSIDE, THE U.S. WOULD BE FREE TO TAKE DISCRIMINATORY AND PREJUDICIAL ACTION AGAINST IT. THIS "FREEDOM" WOULD BE LIMITED BY MEXICO'S ACCESSION TO GATT. HE EMPHASIZED THAT THE TWO POINTS (SIGNING ALL CODES AND JOINING GATT) WERE NOT A U.S. NEGOTIATING STANCE OR A THREAT, BUT RATHER WHAT HE CONSIDERED WISE ACTIONS ON PART OF MEXICO AND OTHER LDC'S

TO GAIN MORE LEVERAGE IN DEALING WITH THE U.S. AND REST OF THE INDUSTRIALIZED WORLD. HE POINTED OUT THAT GATT MEMBERSHIP HAS NOT HURT BRAZIL IN ITS TRADE RELATIONS WITH U.S. GATT GIVES GREATER FLEXIBILITY IN ACTIONS; MTN OFFERS MORE SCOPE FOR BARGAINING AND TRADE-OFFS THAN BILATERALS. AMBASSADOR WOLFF STRESSED THE EXAMPLE OF THE RECENT U.S.-MEXICAN BILATERAL TRADE AGREEMENT AND HOW LITTLE THE U.S. LIMITED OFFICIAL USE

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GOT FOR WHAT IT GAVE. BILATERALS SUCH AS THIS WERE UNIQUE AND COULD NOT BE REPEATED. NOT ONLY DID THEY GIVE NO SCOPE FOR CUTS, THEY WERE POLITICALLY VERY VULNERABLE COMPARED TO MULTILATERAL AGREEMENTS BASED ON A WIDE RANGE OF PRODUCTS COVERING MANY COUNTRIES AND SUPPLIERS.

7. THE MEXICAN DELEGATION INCLUDED:

LIC. HECTOR HERNANDEZ (CHAIRMAN), DEPUTY UNDER-SECRETARY OF COMMERCE FOR INTERNATIONAL AFFAIRS

LIC. ROBERTO DAVILA, DIRECTOR GENERAL FOR COMMERCIAL POLICY AND INTERNATIONAL ECONOMIC COOPERATION, MINISTRY OF COMMERCE

LIC. ABEL GARRIDO, DIRECTOR GENERAL FOR TRADE NEGOTIATIONS, MINISTRY OF COMMERCE

AMBASSADOR MANUEL ARMENDARIZ, ECONOMIC ADVISOR TO FOREIGN MINISTER SANTIAGO ROEL

LIC. ALFREDO GUTIERREZ, TRADE REPRESENTATIVE, MEXICAN EMBASSY, WASHINGTON

LIC. JOSE TELLO SANCHEZ, SUBDIRECTOR FOR TRADE NEGOTIATIONS, MINISTRY OF COMMERCE

LIC. FRANCISCO RAMOS CANTORAL, SUBDIRECTOR FOR INTERNATIONAL AFFAIRS, MINISTRY OF AGRICULTURE

LIC. MIGUEL ANGEL RIBERA, SUBDIRECTOR FOR INDUSTRIAL DEVELOPMENT, MINISTRY OF PATRIMONY.

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